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HELMUT A. MERKLEIN NOMINATION

HEARING

BEFORE THE

COMMITTEE ON ENERGY AND NATURAL RESOURCES UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON THE

NOMINATION OF HELMUT A. MERKLEIN TO BE ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS, DEPARTMENT OF ENERGY

NOVEMBER 10, 1983

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HELMUT A. MERKLEIN NOMINATION

THURSDAY, NOVEMBER 10, 1983

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, D.C.

The committee met, pursuant to notice, at 10:35 a.m., in room SD-366, Dirksen Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senators McClure, Hecht, Melcher, and Bradley.

Also present: Charles A. Trabandt, chief counsel; E. David Doane, deputy chief counsel—energy; James T. Bruce, counsel for the minority; and D. Michael Harvey, chief counsel for the minority.

OPENING STATEMENT OF HON. JAMES A. McCLURE, A U.S. SENATOR FROM THE STATE OF IDAHO

The CHAIRMAN. The committee will come to order. This is a hearing to consider the Presidential nomination of Helmut A. Merklein to be Assistant Secretary of Energy for International Affairs.

I would like to express at the outset my strong feelings about the importance of the position to which Mr. Merklein has been nominated. The Secretary of Energy has the primary responsibility for the formulation and implementation of international energy policy. Secretary Hodel is charged with the lead role within the executive branch for the International Energy Agency and for the U.S. energy policy as it relates to OPEC and the Arabian Gulf.

Thus, the selection of a capable and well-qualified candidate to assume the position of Assistant Secretary for International Affairs is essential. The Assistant Secretary must oversee the development and management of international energy programs and policies, and serve as both an adviser to, and participant in, international energy negotiations.

Mr. Merklein comes before the committee today with fine credentials for the position of Assistant Secretary. Until recently, Mr. Merklein was a full professor of petroleum economics at Texas A&M University. Previously, he taught energy and international economics at the University of Dallas and the University of Nice, in France.

Additionally, he has served as a project engineer with an international consulting firm and as a petroleum engineer with an oil company. Mr. Merklein has submitted to the committee an extensive list of articles he has published and books he has authored or contributed to in the area of energy economics.

Born in Indonesia and raised in Europe, where he became fluent in French and German, Mr. Merklein has traveled extensively and possesses a background so vitally needed to perform effectively in this important position.

I will insert in the record at this point a statement from Senator Tower, who could not be with us this morning.

[The prepared statement of Senator Tower follows:]

STATEMENT OF

SENATOR JOHN TOWER

BEFORE THE SENATE ENERGY AND NATURAL RESOURCES COMMITTEE

ON THE NOMINATION OF

HELMUT A. MERKLEIN

TO BE

ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS,

U.S. DEPARTMENT OF ENERGY

November 10, 1983

Mr. Chairman, today the nomination of Dr. Helmut Merklein to be Assistant Secretary for International Affairs at the Department of Energy is being considered by the Energy and Natural Resources Committee. I would like to express my strong support for Dr. Merklein. As a Texas resident during the past 13 years, Dr. Merklein has studied and taught macroeconomics, energy economics and international economics at the University of Dallas and Texas A&M University. He was Dean of the University of Dallas in 1982, when he accepted a full professorship in the Department of Petroleum Engineering at Texas A&M University.

Dr. Merklein brings considerable academic experience with international and national energy concerns to this job. Additionally, he has solid professional experience, having spent a number of years working for an international energy consulting firm, as well as a large U.S. oil company as a petroleum engineer.

Dr. Merklein has published more than 100 articles and has authored/coauthored several books, mostly in the area of energy economics. He has closely followed U.S. energy policies and has done considerable research in assessing their likely impact at home and abroad.

His long and outstanding experience in the international energy field exemplifies Dr. Merklein's qualifications to serve as Assistant Secretary for International Affairs at the Department of Energy. I would urge the members of the Committee to vote in favor of his nomination.

Thank you for allowing me this opportunity to express my support for Dr. Merklein.

The CHAIRMAN. Mr. Merklein, the rules of the committee, which apply to all nominees that come before us for confirmation for positions within the administration, require that they be sworn in connection with their testimony.

Would you please rise and raise your right hand?

[Whereupon, Helmut A. Merklein was duly sworn by the chairman.]

The CHAIRMAN. Please be seated. Before you begin your statement, we have four standard questions we ask of all such nominees. I would ask these questions of you. Will you be available to appear before this committee and other congressional committees to represent departmental organizations and to respond to issues of concern to Congress?

Mr. MERKLEIN. Yes, sir.

The CHAIRMAN. Your informational statement has been submitted to the committee. However, it is required that this statement be made public unless the committee decides that special circumstances justify an exception. Do you have any objection to the publication of your informational statement?

Mr. MERKLEIN. No objection.

The CHAIRMAN. Are you aware of any personal holdings, investments, or interests that could constitute a conflict of interest or create the appearance of such a conflict should you be confirmed to assume the office for which you have been nominated?

Mr. MERKLEIN. I have no such holdings.

The CHAIRMAN. Are you involved in or do you have any assets held in blind trusts?

Mr. MERKLEIN. No.

The CHAIRMAN. Thank you, Mr. Merklein. I understand you have a prepared statement, which will be placed in the record. You are invited to proceed.

STATEMENT OF HELMUT A. MERKLEIN, NOMINEE TO BE ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS, DEPARTMENT OF ENERGY

Mr. MERKLEIN. Thank you, Mr. Chairman, members of the committee. I appreciate the opportunity to come before you as President Reagan's nominee for the position as Assistant Secretary for International Affairs at the U.S. Department of Energy. I have a full statement for the record. In summarizing this statement, I would like to address two points.

No. 1, is the Department of Energy serious about its International Affairs' office? Let me put it this way: This is a new department, led by a new Secretary who is convinced that the United States, the dominant energy Nation in the world, owes it to itself, to its allies, and to its trading partners to engage in dialog throughout this world of energy interdependent nations.

Any commercial transaction is fundamentally an adversary relationship. The seller always wants the highest possible price and the buyer wants the lowest price. The result is conflict. Yet, buyers talk to sellers all of the time. There is no reason why the United States should not talk to OPEC.

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If I am prepared to give up a full professorship at the largest engineering school in the country at a financial sacrifice, it is because I am convinced that Secretary Hodel is serious about making this an important and meaningful position within the Department of Energy.

The second point, can I support an allocation scheme such as this IEA, the International Energy Agency? The record is clear from my writings that I prefer the free market mechanism over most allocations schemes. This dovetails with the Secretary's position and with the views of President Reagan.

Domestically, we do have a market response mechanism and I fully support it. IEA is different. This is in the nature of a mutual protection society. I could support, even participate in, a formal agreement among 21 neighbors that we would redirect part of our incomes to one of us who has been laid off, so long as I am left free to use my remaining income as I see fit.

I would not participate in a program that goes beyond the reallocation of a dwindling resource by telling me precisely where I must cut back my expenditures, item by item. As an adviser to Secretary Hodel, I will always be protective of the consumer's freedom of choice within the framework of an energy supply insurance program such as IEA.

These are the two main points. As I mentioned, the full statement is on record. At this point, I wish to thank you again for the opportunity to come before you and I am prepared to answer any questions that you might have.

[The prepared statement of Mr. Merklein follows:]

STATEMENT OF

HELMUT A. MERKLEIN

NOMINEE FOR

ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS

DEPARTMENT OF ENERGY

Before the

COMMITTEE ON ENERGY AND NATURAL RESOURCES

UNITED STATES SENATE

NOVEMBER 10, 1983

Mr. Chairman and Members of the Committee, I appreciate the opportunity to come before you as President Reagan's nominee for the position of Assistant Secretary for International Affairs, U.S. Department of Energy.

PERSONAL BACKGROUND

By profession I am a petroleum engineer, an economist and an educator. I began my studies of petroleum engineering at the Leoben School of Mines (Montanistische Hochschule, Leoben) in Austria, and eventually received a B.S. degree in Petroleum Engineering in 1959 at the University of Oklahoma.

After a brief stint with an oil field service company, I went to work for Tidewater Oil Company, now called Getty Oil. I stayed with that company for six years, first as a field engineer in drilling and production and later as a staff engineer with primary responsibility for evaluating oil and gas reserves.

In 1965, I joined Core Laboratories, Inc., one of this country's largest and most respected international petroleum consulting firms. My knowledge of the French language led to the assignment of an evaluation of the Algerian Saharan Hydrocarbon

Reserves, a 2 1/2 year team effort. In 1968, while working full-time at Core Laboratories, I obtained an MBA degree through an evening program at the University of Dallas. That year, I was the recipient of the Wall Street Journal Student Achievement Award.

I had planned for the MBA degree to be my terminal involvement with academia, but a National Science Foundation Fellowship allowed me to pursue a Ph.D. degree in economics at Texas A&M University. I received my doctorate ahead of schedule, in May of 1970.

Rather than pursuing a career in the oil industry, I chose to teach macroeconomics and international economics and finance at the Graduate School of Management, University of Dallas. During the academic year 1972-73, I took advantage of a one-year leave of absence to teach at the Institut d'Administration des Entreprises, Université de Nice, France, on what amounts to a Fulbright Scholarship in reverse.

Upon my return to the University of Dallas, I took over the fledgling International Institute with its MBA degree program in International Management. In 1980, I became Dean of the Graduate School of Management. Since 1982, I have been a full professor in the Department of Petroleum Engineering at Texas A&M University.

While at the University of Dallas, I began my research and writing career, which I have continued at Texas A&M. To date, I have published more than 100 articles and three books. My writings concentrated essentially on two subjects: international finance and energy economics. If confirmed as Assistant Secretary for International Affairs, I would be enabled to render public service in an area to which I have devoted considerable attention during my professional career.

ROLE OF INTERNATIONAL AFFAIRS AT DOE

In establishing the Department of Energy, the Congress made plain that one of its principal motivating concerns was the realization that, among other things, our Nation's then increasing dependence on foreign energy supplies presented a serious threat to the national security of the United States and to the health, safety and welfare of its citizens.

To my way of thinking, we cannot begin to deal adequately with that threat unless we keep in mind the well-established proposition that there is an international interdependence of nations in matters concerning the production and consumption of energy. There is no industry in the world today that comes anywhere near international energy in terms of bilateral and multilateral trade. For example, current annual oil imports of IEA member countries amount to $209 billion. That's roughly three times the size of the U.S. automotive industry.

The United States private sector has been the driving force in taking the industry from the Colonel Drake adventure in Pennsylvania to developing oil and gas resources in areas as remote as the deserts of the Saudi Arabian peninsula and the icy plains of the Arctic in Alaska. Following the oil embargo in 1973-74, the United States government has taken a leading role in promoting international energy cooperation. The creation of the International Energy Agency and the establishment of bilateral and multilateral energy research are cases in point.

There is no question in my mind concerning Secretary Hodel's commitment to a vigorous pursuit of appropriate energy policies and programs in the international arena, a commitment fully shared by me. Since assuming office just a year ago, the Secretary has undertaken two trips to Europe and one to the Far East to emphasize that commitment. His forthcoming trip to producing countries in the Middle East underlines his concept that the oil producing nations must be part of a meaningful dialogue among all participants in the international energy environment.

I sense from some of my recent conversations a concern on the part of some members of this Committee as to whether there is an intention to make the Office of International Affairs of the Department of Energy an important part of the Department's overall energy program. Let me assure you categorically, based on my discussions with the Secretary, that there is no doubt but

that International Affairs will play an integral role at the Department. Had I concluded otherwise, I frankly would have been hesitant to resign from a full professorship at the largest engineering school in the country.

Just as Congressional confidence in the Department's commitment to active participation in international energy matters at one time may have eroded, so has the respect of OPEC countries with regard to our ability to deliver on some of the Government's public policy statements. For example, our Project Independence, published in 1974, envisioned total energy independence by 1985 under an assumed scenario of $11 per barrel of oil (constant 1974-dollars). I suspect that, although the OPEC nations may have viewed this policy target with alarm when it was first published, they later came to view it with justifiable skepticism. As history has taught us, we have been unable to come anywhere near total "energy independence," and 1985 is a mere 14 months away. As stated in the most recent projections contained in the National Energy Policy Plan (October 1983), under all but extreme assumptions, the United States and the rest of the free world will remain dependent to some extent on OPEC oil for at least the next 20 years. I would propose, if confirmed, to help continue the work Secretary Hodel has initiated to restore the Department of Energy to the level of international respect and credibility that, as an agency of the United States Government, it deserves.

The credibility of the International Affairs Office at the Department of Energy--indeed, of the United States Government--is also dependent on the perception we create among our allies as a reliable trading partner. I am convinced that the United States entered into its international energy commitments with the political will and the commercial power to see them through. This is a message that needs to be conveyed to our allies to overcome nascent skepticism on their part.

ROLE OF ASSISTANT SECRETARY

The Assistant Secretary for International Affairs of the Department of Energy is the principal international policy advisor to the Secretary of Energy. In that role I am cognizant and fully supportive of the Administration's policy of placing principal reliance on free markets. At the same time I realize that reasonable strategies to supplement and support the free market have become inevitable. Among those are the Strategic Petroleum Reserve program, the Secretary's firm commitment to the International Energy Agency, our participation in shared research and development programs, and others.

While I am fully aware that my role is that of an advisor to Secretary Hodel, I will also act as a spokesman for the Secretary in the area of international energy affairs. I wish to assure this Committee that I will always strive to present a balanced

view on energy policy and that I will welcome, even solicit, your input in formulating important energy policies in the international arena. Similarly, I wish to assure members of this and other Congressional Oversight Committees that I will be promptly responsive to requests for information.

Finally, the Assistant Secretary for International Affairs is entrusted with the day-to-day management of the international affairs programs. I have been part of highly motivated and well-functioning teams in my professional past and I am confident that I am going to be part of a similar team, if confirmed, in the immediate future. I like Secretary Hodel's open management style and I plan to emulate it. In coming into this position, I will be drawing on the experience and competence of an extraordinary group of career personnel whose support will be indispensible in making my own career within the Department of Energy a success.

Mr. Chairman and members of this Committee, I thank you for the opportunity to come before you and I am now prepared to answer any questions you may have.

The CHAIRMAN. Thank you very much. You touched on one aspect of the international affairs operation of the Department of Energy, and it does not relate to international affairs alone, but domestic affairs as well. That is not your primary role or responsibility within the Department of Energy or in the post for which you have been nominated. But I am sure you are familiar with the recent test that was run by IEA with respect to the market responses in the event of an interruption in supply through the Straits of Hormuz.

There has been a great deal said about that test, AST–4, and the events in terms of administration policy. My understanding of that test was that it was just that, it was a test. What happened? There were certain events with certain assumptions. I do not understand that those assumptions are matters of administration policy, but simply a measuring of the responses and our ability to shape those responses.

Do you have any different view of AST–4 or what it means with respect to administration policy?

Mr. MERKLEIN. AST–4 was the fourth in a series of tests. The system as a whole, Mr. Chairman, marries 21 different national allocation schemes in the face of an overall reallocation scheme of resources. It is a very complicated system. Every time we run a test, I am sure we will have new problems that will surface that we had not thought of before.

You say that this concerns us essentially in terms of our own allocation mechanisms, that it is a domestic problem, and yet we deal within IEA with countries having forced allocation systems and feeling that we should emulate their systems.

There is an international crude oil price to which the United States must adjust—harmonize is the word—its system in accordance with theirs. So it does become an international problem. I am not sure I fully understand all of the implications of AST–4 and I am sure that no one else fully understands them. I think we have to work on this in the future.

I propose to make it my primary endeavor, should I be confirmed, to try to understand the system as fully as I can without a promise that I ever will.

The CHAIRMAN. As I recall, one of the results of that test was that without any intervention by the United States in allocation and supply, with the exception of the availablility of oil from the strategic petroleum reserve, a minimal price, I forgot if whether it is minimal or medium price of $98 a barrel which runs as high as $130 to $133 a barrel was indicated.

Some people immediately translated that test as being a confirmation of their belief that the administration would, as a matter of policy, allow that kind of economic shift to take place, so that the market could allocate the supply, regardless of what the economic distortions would be. We would deal with economic distortions in a different manner. The feeling that I have is that this did not necessarily indicate a U.S. policy, but it was a demonstration of what might happen if indeed that policy were followed. Am I correct in that assumption?

Mr. MERKLEIN. Mr. Chairman, I think there are two problems. The first one is the use of prices in the first place as part of AST–4. The

United States took the position, and I would have supported it, that price should be left out.

The other problem was the magnitude of the price itself, $98 per barrel. I have a computer program, too, that I have developed over the years at A&M, prior to coming up here; I spent 6 months trying to update that computer program. I found out, Mr. Chairman, that all of those wonderful trends that I developed 10 years back up to about 1980 no longer fit my trend lines.

The new data were absolutely off the line and that set me to thinking. I have come to realize as a result that when you develop a computer program, you are looking backward in a sophisticated way and you extend forward basic trends in a setting that may no longer exist. For example, we have had declining finding rates in terms of barrels of oil equivalent per foot drilled for the last 10 years, a wonderful trend line of 3.5 percent per year. The last two data points do not fit. Why is that?

There was infield drilling. There were price increases. There were secondary and tertiary recovery programs. There were all kinds of actions that sprang to life that the model could not anticipate in the old environment. I am very suspicious of models precisely because I have written one myself.

I intend to look into that model. I would not want to say the model is wrong; I mean to say that models taken at face value can be easily misinterpreted.

The CHAIRMAN. Thank you.

Senator Bradley.

Senator BRADLEY. Thank you very much, Mr. Chairman.

In the IEA, one of the parts of the agreement is that each country would have a program for demand restraint in place. What is your thought as to what demand restraint program you would advise the administration to put in place? Are you in favor of an energy tax, an import fee? What kinds of things do you suggest?

Mr. MERKLEIN. I think we in the United States now have a demand restraint program in place. It responds to prices. I would leave it alone.

Senator BRADLEY. Is that Government-established?

Mr. MERKLEIN. Senator, I believe it is better than Government-established, frankly. It works directly through the free interplay of consumer demands and supplier options. I do not mind telling you I would not advise Secretary Hodel to impose, for example, import fees, because such fees would only raise the price of imported oil and, of course, they would allow the price of domestic oil to rise to that ceiling at great cost to the U.S. consumers, perhaps with revenue aspects that the Government would like, but I do not think they would be justifiable.

Senator BRADLEY. If there were an oil supply disruption, what would you recommend to mitigate the dramatic increase in price that would flow from that?

Mr. MERKLEIN. I have given some thought to that lately. I think, domestically, one thing we have perhaps not done is to also bring in the price of crude oil as one indicator where we should begin to be alarmed. I do not know what the price will be in response to short-term movements on the supply side, but it will rise.

I have not yet discussed the matter with Secretary Hodel, but I do believe when the price rises to a level that mutually we can agree is alarming, that we then seriously consider either diverting imports destined for the SPR program into the U.S. economy or, if need be, that we draw down on the SPR system itself; this without regards to the magnitude of the shortfall which we measure with a delay and that we are never really sure of, while we can be sure of the price.

The SPR program is not in my department, as you know, but of course, its use has international implications and I am sure I will have an informal voice in the process.

Senator BRADLEY. Your response is, after price reaches a certain level, you then draw down on the SPR and if you think that increases supply would moderate the price increase?

Mr. MERKLEIN. Yes, sir. There cannot be a quantity adjustment in oil without also a price adjustment.

Senator BRADLEY. You would see doing that for the length of the disruption?

Mr. MERKLEIN. This is such a speculative field, sir, that I hate to make a categorical statement. In a crisis, I anticipate having teams up day and night to monitor the situation hour-by-hour and minutes-by-minute. To presume a scenario today that is fixed, as of this moment, well into the future, is, perhaps, too speculative.

I have no doubt in my mind what variables I would look at: They would be quantity and price, and they would be quantity and price jointly. But where this would lead us, I do not know.

Senator BRADLEY. Under IEA, there is this agreement to reduce the quantity of oil consumed by a specific amount. What if that price alone is not enough to reduce that quantity of oil? Do we just ignore our obligation under IEA?

Mr. MERKLEIN. Let me put it this way: I have, of course, no working experience with IEA, but I have looked at it. The price will not be enough in those countries. That have allocation schemes. If we have a 10-percent overall reduction, let us say, and we allocate 7 percent of our imports to some other country and they have an allocation scheme, they will have shortages. However, this is their scheme and far be it from us to tell them what to do, just as I would not want them to tell us what we should do once we have reallocated the original resource.

To us domestically, is it enough? Yes, it is enough.

Senator BRADLEY. I am not asking if it is enough. I am asking if it is not enough to meet the obligation for a specific drawdown, what would you propose to do? Ignore the obligation of IEA, that is clearly one possibility. There are others. What would you suggest?

Mr. MERKLEIN. I do not expect problems from our side. If problems arise at all on this IEA scheme, I really believe they will come from those countries that have allocation schemes. The problems will be, first of all, economic, but ultimately political in nature.

For example, all the governments we are dealing with are elected governments, some of which are elected on very thin multiparty coalitions. The German Government under Chancellor Schmidt nearly lost out on a vote of no confidence over the relatively small issue of whether or not to have nuclear reactors. A severe energy shortage, coupled with pricing restraints and allocation schemes, will bring so much

frustration in some of those severely regulated countries that there will be political repercussions.

I believe that governments will perceive that under this system their political survival may be threatened. I see the possibility of hedging on contractual commitments. However, I see them coming from the other side a long time before they come from us. So the answer is in a chronological perspective; no, we will not renege. We will not have to renege. We do have a strong domestic reply mechanism.

Senator BRADLEY. So you, I understand your assertion is that we will not have to renege. The question is, what if price is inadequate to reduce the consumption?

Mr. MERKLEIN. I cannot tell you this and no one can. If you ask me specifics—may I come back to my model? When you build a model to project, and I finally learned this last year, you are engaging in centralized planning. By asking the question that you did, you were really asking me to give you a centrally planned economic answer.

If we believe in central economic planning, we should go to Russia or maybe Algeria or some other country that has engaged in it for so long. It has not worked. I cannot give you specifics with respect to prices for given shortfalls. I wish I could.

Senator BRADLEY. Does the administration support the IEA agreement and do you support it?

Mr. MERKLEIN. Yes, sir, it does, and so do I.

Senator BRADLEY. If you cannot meet the obligation to reduce consumption by a specific amount and it is your responsibility to see that it is reduced, so I am asking you, how would you do that?

Mr. MERKLEIN. I suppose what you are saying is that the price has gone so high, we have now reduced the SPR or even depleted it, and now what?

Senator BRADLEY. Let us come back to that a litle bit later and let us carry your scenario through. We will come back to the SPR point, but I would like to ask your opinion about any legislative changes that we need to do what you just said you would like to do. So go ahead and tell me.

Mr. MERKLEIN. In other words, we have played our last trump card, the SPR is gone.

Senator BRADLEY. Yes.

Mr. MERKLEIN. Now what?

Senator BRADLEY. Yes.

Mr. MERKLEIN. I would say to you that I would then let the market run its course. We have survived rather nicely a threefold increase of the price of crude oil in 1973–74. More importantly, since there was some price protection in this country, Germany has survived a similar increase in prices without any protection of any sort.

Senator BRADLEY. You would allow the market to run its course?

Mr. MERKLEIN. Yes.

Senator BRADLEY. If the oil went to $100 a barrel, you would allow the market to run its course.

Mr. MERKLEIN. The price will not go to $100.

Senator BRADLEY. Let us say it does. Would you allow the market to run its course?

Mr. MERKLEIN. Mr. Senator, I do not believe that the price of oil in the short-run is capable of going to $100.

Senator BRADLEY. How many people in 1972 believed the price of oil was going to up 400 percent 2 years later? Many people had no idea, most people. So I understand your belief, but you are there in the Energy Department and you are sworn to uphold certain responsibilities and I am asked whether I should vote to confirm you or not and I am asking you, what would you do?

Mr. MARKLEIN. I would look at the alternatives. I would look at all available alternatives. Besides the free market, what is there? That is a question I have dealt with in the past and I have written about it. I have, to this point, not seen any allocation systems that work any better.

Senator BRADLEY. I applaud you for your persistence in saying the same thing. Let me ask you this: In the world where the market is going to work, do you see at any point the need to recycle tax dollars to individuals who are unable to pay the higher price?

Mr. MERKLEIN. That is a different question. That is not an energy demand/supply question. I think this administration has taken the position, and I would concur, that this is a support question, a welfare question, if you like. It should not be handled out of the Department of Energy.

Senator BRADLEY. Would you recommend that such a program be put in place?

Mr. MERKLEIN. I do not think the issue would arise in the Department of Energy. I do not think the President would ever come and ask me, directly or indirectly, for my position on the point.

Senator BRADLEY. Would you prefer to have controls and allocation or a market program with the recycling of tax dollars to those who are unable to pay? Which of those two would you prefer to have as a policymaker?

Mr. MERKLEIN. Which of which two, sir?

Senator BRADLEY. You would be in the room where the decision was made, your opinion would be asked. Would you be in favor of a program of price controls and Government allocation or would you be in favor of a program of allowing the market to work and recycling tax dollars to those below a certain income level?

Mr. MERKLEIN. I would recycle the tax dollars—no question about it.

Senator BRADLEY. Under the SPR legislation, the only authority to divert SPR supplies comes if there is a drawdown declared. Are you suggesting in your statement that the way you would handle disruption if prices went above a certain level is that you would use the SPR? Are you suggesting that we should have a subtrigger below the point where a drawdown would be declared or are you saying that in certain parts you would like to see the drawdown declared?

Mr. MERKLEIN. I must admit that when I think about the SPR, I speak only from common perception. I know the SPR is there. I know what its function is. I do not know in detail what the legislative constraints are. It is after all not within the purview of the International Affairs Office. I may have been a bit rash, but I see it as an insurance program to be drawn on when needed.

Whether new legislation is needed or not, I do not know. I am sure that if I were out of line in a policy discussion at the Department of Energy and proposed something that is legislatively not possible that I would be put in my place rather very quickly. So I apologize if I seem to commit the Department to something that it cannot do. It was not my intent.

But as an insurance program its function is, of course, to relieve volume shortages. There is no language as far as I remember with reference to price and all I meant to suggest to you is that perhaps using the price variable as well, rather than just volume, would be a more all encompassing picture.

Senator BRADLEY. Thank you very much.

The CHAIRMAN. Senator Hecht.

Senator HECHT. Thank you, Mr. Chairman. Mr. Merklein, I read your summary and biography. It is very impressive. I am a freshman Senator on this committee. I do not know exactly what the duties of this job are. I am going to ask you two questions.

How do you see the job, the way it is, and what do you want to do in the future? Obviously you came here with a purpose, because you have stayed without moving your family to Washington from wherever it might be, the State of Texas, and done very well.

Mr. MERKLEIN. I will move my family eventually if you will see fit to confirm me. I assure you of that. I can only tell you how I view the position and I do not want to put words into Secretary Hodel's mouth. But I think there is an element of a rescue mission here. I think that in the past, perhaps, the view was that the Department of Energy did not need to fulfill a really significant role, within the overall scheme of President Reagan's administration.

The Department has been subject to severe cutbacks. The obvious quick cutbacks that could be instituted with ease were on the international scene. As a result there has been a collapse of confidence domestically, even within this committee, as well as internationally, in this administration's seriousness concerning international affairs. I believe, in assuming this office, that the restoration of confidence domestically and internationally is important.

Let me give you an example: Project Independence, which I mentioned in the formal statement. Project Independence said that by 1985, at a price of oil of $11 per barrel—based on constant 1974 dollars—we would be totally energy independent, that is, that we would be producing 17 million barrels of oil per day, including 2 million barrels of synthetic fuel. The price of $11 per barrel, by the way, compounded at 10 percent for those 9 years would today be $25 per barrel.

I did not think energy independence by 1985 was possible. I happened to be at the Nineth Arab Petroleum Congress 2 years later. I know the Arab world was scared of the prospect of U.S. energy independence. I also know that OPEC was scared of the $7 floor we put in jointly with the IEA on oil imports. The $7 floor was totally irrelevant. Project Independence was worse than that. It was plainly wrong. It was a whitewash. It was a token thing.

We have lost credibility internationally. We, the Department of Energy, we the U.S. Government have lost credibility internation-

ally. I think the main mission that I have is to help restore that credibility. It is more important than any mechanical detail that I might encounter in my Government career.

Senator HECHT. Elaborate, why we have lost credibility.

Mr. MERKLEIN. We panicked. I am not really blaming anyone. We were suddenly confronted with a world cartel that arose from nowhere. We did not know where to go. I think we took a wrong position in responding with price controls and dampening the supply response domestically, but we panicked and that is understandable.

I might add that Project Independence was written under President Nixon, a Republican President. We were in new territory and we did not have a contour map. But we have learned a lot and we have learned in particular that just because a problem is of great magnitude, this does not necessarily imply that we need the Government to step in and help on every item-by-item detail.

We tried that and it has not worked. And to me that has been the main factor for the loss in confidence, both domestically and internationally.

Senator HECHT. You mentioned the cartel. We always talk about the Mideast cartel. How do you feel about helping other countries who are friendly to us to develop their own oil resources?

Mr. MERKLEIN. I would categorize these countries two ways. There are the OECD countries, the industralized nations, and there are the developing nations. The developing nations that import small volumes of oil nevertheless are the ones that get hurt the most, because the wealth transfer, even though small, takes place from a very low wealth level. That is the international equivalent of Senator Bradley's comments on the welfare aspect, the tax subsidy in response to wealth transfers from consumers.

I think the developing nations need help, not indiscriminately, but carefully. I believe that aid in and of itself creates no wealth. For a country to come to grips with its proverty problem, the resources have to be developed from within. We can give direction. DOE can give direction.

It is well known that among the countries that have come from extreme poverty to an acceptable level of wealth, even industrialization, those countries stand out that have accepted the direction and have emulated the industrialized nations. I think we should develop resources wherever we can find them, but we must at the same time be aware that developing countries have sometimes political institutions or beliefs inimical to us.

If that is the case, I am not sure that we can help them. I am not sure that we can morally inject U.S. capital into a nation that is so inimical to capital that its domestic capital is leaving the country as fast as it is accumulated. I have no solution for those countries. That, after all, is the responsibility of the State Department.

In my area, the development of energy resources wherever we can helps in reducing the monopolistic stranglehold of OPEC. We have gone a long way in that direction and I would continue to pursue that policy.

Senator HECHT. Let me be more specific. During the last break, my wife and I took a trip together and went to Brazil. Because it rained

for a few days and we could not enjoy the breach, I met with a lot of businessmen and bankers down there. There appears to be tremendous oil reserves. In addition to the energy committee and banking committee, I was dealing with the IMF folks down there.

The reason this came out, I was so impressed, I saw two rigs out in the harbor, oil platform rigs in the area of $30 million to $50 million apiece, I assume. Yet, they do not seem to have the necessary know-how to get production going. Yet, they owe us money and they need our kind of expertise. How would you relate to that?

Mr. MERKLEIN. Expertise without ideological commitment is wasted. You see that in Mexico. You see that in Algeria. And you see that to some extent, but not quite as drastically, in Brazil. That commitment has to be there. Otherwise your efforts will be wasted. That is really all I can say on the subject.

Senator HECHT. In your background as a world traveler, do you feel there are very, very significant oil reserves in South America and Central America?

Mr. MERKLEIN. Yes, sir. I believe that we have not even begun to tap the reserves that we have. Let me give you an example. People do not know that in the year 1900, this country drilled 17,000 wells per year. With the exception of 1 or 2 years since that time we have never drilled any less than that. Now, we are drilling 80,000 wells. That is why we are finding oil.

The sedimentary basins throughout the world are pretty similar to what we have here, give or take some. They are simply not being developed. I have given speeches abroad on this subject. In France, for example, I tell my audiences, trying to impress upon them what we are doing and what they are doing, that if we were drilling at our rate with their budget, we would be through on January 5 at 3 o'clock in the afternoon. That is the effort we have put in, 80,000 wells per year.

The next biggest drilling country outside of Russia, is Canada. No one knows what they are doing. At their peak, Canada drilled 9,000 wells compared to our 80,000. However, they instituted energy policies very similar to those that we had instituted in 1977 or 1978, and their drilling is declining.

The Canadians have all the expertise it takes to do all the drilling and they have all the capital it takes, but they do not have the right signals in the market. What I am saying to you is, it is a matter of effort. The effort is not being put out throughout the world as it is here in the United States.

Senator HECHT. How can you encourage that effort?

Mr. MERKLEIN. I think it does not need any particular encouragement. I rather think it is a matter of getting institutions to keep from trying to encourage too much, to set unrealistic objectives. Whether they know it or not, that conflicts with encouragement.

As an example, let me mention Mexico, which is rather typical of developing countries. Mexico took the position that oil is a commodity unlike any other commodity; that it is a vehicle towards industrialization needed for the welfare of its citizens; that the price of oil had to be held artificially low, so that the industrial boom could take place in Mexico. Just before the new discoveries in south Mexico were made

and before this miraculous coincidence of an increase in crude oil prices through OPEC, the pursuit of a low-price policy got Mexico to where no self-respecting banker in the world would talk to them anymore.

The Mexican Government was trying to be too helpful. How do you stop that? You just try to be less helpful. How do you pragmatically do that? I have no answer for that. You can just sit there and subtly, through the example at home, point the way. It is their government. It is their people. We cannot directly influence them.

Senator HECHT. Thank you very much, Mr. Merklein Thank you, Mr. Chairman. I enjoyed the testimony and I was quite impressed.

The CHAIRMAN. Thank you.

Dr. Merklein, there is not question from your background, as well as from your testimony, of your expertise in the energy field. I cannot help but follow a little bit of the line of questioning that Mr. Bradley asked, because I know of Senator Bradley's interest in the solution which you outlined, allowing the prices to rise to allocate supply and reallocating revenues to people who are economically disadvantaged.

Let me make a basic assumption here and see if you agree that your reason for that is you believe that is the most efficient for the energy sector.

Mr. MERKLEIN. When you deal with prices, you intercept signals and change them and those signals go to every facet of the economy. You will distort everything in sight. There is not a thing built in this country today that is not somehow being built with energy.

You take a specific sector and you say, for example, here are low-income people that cannot possibly afford it; they need winterization of their homes. You say we will subsidize them through taxes. My answer is that there is some distortion in that, but next to nothing compared to the overall pricing distortion. So, yes, I would much rather see one small sector taken out as a worthy target rather than to make the whole economy a target of regulatory policies.

The CHAIRMAN. Have you run any studies or analyses of the efficiency of income redistribution in the United States for Government policy?

Mr. MERKLEIN. I am not too familiar with this. I have suspicions concerning it. I would rather not voice them. I am not an expert in this area.

The CHAIRMAN. The reason I asked that question is, I wonder why people who believe we would be very inefficient at petroleum allocation believe we would be efficient at income allocation.

Mr. MERKLEIN. I think it is a good question. I take it to be a rhetorical question.

The CHAIRMAN. But you have more or less come down on the side of, let us not interfere with the energy market; let us do it outside of the energy market. You said in response to an earlier question that, indeed, if you intercept the price movements in the market, you send the wrong signal. You also indicated that, yes, you also send the wrong signal when you interfere with expenditures or income. We begin to distort the market in a different way as we begin to take away from people who have made money in one sector of the Government, or in all other sectors of the Government, to give to some other people whom we perceive for political reasons are worthy recipients.

I am concerned with the notion that somehow we can save the energy industry by distorting all the rest of the country.

Mr. MERKLEIN. The best protection this country can have in terms of energy is a viable industry drilling 80,000 wells or more per year. The question was not quite put to me that way. You understand that Senator Bradley had to come back repeatedly and sort of urge me to furnish an answer.

The question was put to me as follows: If it is inevitable, and you have no choice but price controls and forced allocations on the one hand versus an individual sector with energy subsidies of some sort on the other and there are no alternatives, which would you use? The answer is quite clear, I would use subsidies. I was never asked whether and how much I liked such a policy. The answer is, I would only take it as a last resort, when it all comes down to that, given just those two alternatives. I believe there are all kinds of other target possibilities around that were not mentioned. But given those two, yes.

The CHAIRMAN. In response to Senator Bradley's earlier question, you suggested that we would never get to the point of his hypothetical question, because there would be political responses in other countries. Do you believe there would be political responses in this country?

Mr. MERKLEIN. There would be. There, I cannot give you an answer. I suspect there comes a point where the pressure is on to institute controls, to institute forced allocation mechanisms domestically. When that point comes—let me back up a little bit. When I talked to Secretary Hodel about what my role would be, I told him I would expect to be always free to say what I thought was the right thing to say, and that in the final analysis when we disagree on something and he tells me the chips are down and this is what we are going to do, why, of course, I fall in line. I serve at his pleasure.

But I would never deprive him of my own honest opinion. In response to your question, that honest opinion is that regulation generally is not the best policy and that is the opinion I would give him.

The CHAIRMAN. I certainly concur in that feeling. We have seen it happen in this country in a variety of different settings before, and we are still struggling on the floor right now to get away from the notion that somehow you can regulate benefits to consumers by depressing the price in the private sector, or keeping it lower than it otherwise would be. The issue, of course, is deregulation of natural gas.

But the concern I have is that we do not live in a world that is run by people with your attitudes and mine necessarily. We live in a world in which the policies are shaped by people who have diverse interests and diverse points of view. And there are political responses in our country as well as in other countries. That leads us to the conviction, based on what I have seen happen in the past, that we should adopt policies so far as we can in advance to delay the point of direct intervention, to minimize the political responses that demand intervention rather than allowing that to occur.

Mr. MERKLEIN. If you ask me whether I am aware that there may be political pressures building that will lead to or that will clamor for price controls and quantity allocations, yes, there are; of course, there are. If I had said my piece to Secretary Hodel and the policy

comes down, which is outside of my responsibility of course, but the policy comes down having considered everything, having considered the position of the U.S. Congress and that of the administration, here is what the pressures are and here is what we must do, whether we like it or not, and this is my Secretary telling me that, I would support him, of course. Because I know his philosophy and I know that his support was not spontaneous. It was in response to pressures that are just too big for him or anyone else of that conviction to bear. Of course, I would support him.

The CHAIRMAN. The drawdown of strategic petroleum reserves is an interference with the market.

Mr. MERKLEIN. Yes, sir, so is the filling of the reserve.

The CHAIRMAN. So is the filling of the reserve. If, and let me give you a hypothetical and use some figures, some purely hypothetical figures that may not have any reality at all, but as an assumption, a basic assumption, assume that there is a marginal supply interruption, not a massive one, a marginal one. We see price pressures beginning to build and spot markets beginning to move. The reactions beginning to take place in the market are all too familiar to us, as people begin to anticipate a price shift or shortage for whatever reason, speculatively or out of self-protection. The prices going into that period are $28 and you have seen the price rise to $40. We believe that if those trends continue up, the price will reach $80 within a foreseeable relatively short period of time. The release of the strategic petroleum reserve or a portion of it would reduce that price rise, over the same period of time, from $80 to $50, and we believe that the political responses in this country could be contained at $50, but could not be contained at $80. What would be your advice, to leave the market alone?

Mr. MERKLEIN. I am always troubled with specific numbers, but let us run with your numbers.

The CHAIRMAN. I am troubled by them too. Like I said, it is purely hypothetical.

Mr. MERKLEIN. I want to preface my remarks by putting on the record that indeed this is a hypothetical situation. The one thing that would worry me if indeed a price reduction from $80 to $50 can be achieved through a release of SPR reserves, is how long that could be maintained.

It is at best a palliative and we should not kid each other about it. It is a 90-day reserve under extreme conditions. It is on a 50-percent shortfall, a 180-day reserve and by the way we have not reached the 90 days yet. We could hold our breath for so long, but once the card is played it is gone. After that, I just do not know.

But just because I do not know does not mean that somebody else would know. If people go out and plan with too much detail on scenarios where they really do not know and either do not have the integrity or the wisdom to know that they do not know, that is when they get themselves in trouble. I think you have asked me a question that I cannot answer.

The CHAIRMAN. The reason I asked that, and I certainly do not anticipate that we know the answers to those questions, those are the kinds of things in which the Congress will be involved as that scenario

plays out, and you know the old saying about the Supreme Court. It is not final because it is infallible; it is infallible because it is final.

The Congress does not necessarily have to have wisdom or foresight as a precondition to act. We do not necessarily have to be right and I think that is beyond argument if you look at past history. Congress is going to react and they react to political stimuli. If indeed the actions that are taken consist of interfering with market forces to dampen the political pressures, we might indeed cause less damage by reacting and interfering with the market to blunt the political reactions than we would by allowing the market to run without interference and have even larger market and even larger political reaction.

Mr. MERKLEIN. We have never given the market a full try, so we do not really know, but one country has. Germany in 1973 and 1974 did. Germany has close ties to Israel, given the war reparations that still take place, and therefore was a policy target very much like the United States during the oil embargo. The German Government deliberately stayed out of it.

The Germany economy smoothly absorbed that shock that we had so much trouble with that right to this very day you are meeting in the Senate and in the House to discuss means to alleviate some of the burdens that are still hanging over us way back from 1974.

They have trusted the market and found it worked. Still, the political realities being what they are in the United States, yes, there will be repercussions. My voice will always be, give the market a try. It is almost a missionary role, if you like, but beyond that if we get overwhelmed politically, it is the voice of the people and it is still a free people.

If that is what they want to do, if they want to transfer wealth in ways that is not good for themselves, it is their wealth and I have to live with it. I think this is not a matter of minimizing damage. I think I know how to minimize damage, but it is their free expression of their political will and I have no recommendation on that. It is a free country.

The CHAIRMAN. Some people have suggested that economics is more of a social science than it is a mathematical one. I judge that you come down on the other side of that argument.

Mr. MERKLEIN. Economics is good sense. Adam Smith did not know any mathematics. Economics only observes and describes. It does not really anticipate. People do things long before economists come and describe how they are doing this. When Adam Smith talked about the invisible hand with that little pin manufacturing plant, he only described what people were already doing. That is what economics is all about.

I am a little scared of mathematical economics, because it is oftentimes prescriptive economics.

The CHAIRMAN. I do not disagree with you at all in that conclusion, yet, you seem to think that politics is not what people really do.

Mr. MERKLEIN. Yes; politics comes and it overrides everything and we have to live with it. It is our system. I joined it of my own free will. I like this country and I would not go any place else for anything. That means by my own free will, surely I must recognize the preponderance of politics, its importance over anything else.

I realize that there will be political problems where people will say, let us regulate, let us control prices, let us protect—it is always under the banner of protection. All I am saying is that I think there are other ways and I will voice that opinion and I may lose, but so be it.

The CHAIRMAN. I guess I do not mean to be redundant, but I still believe in that process we have to try to analyze what political responses may occur in the future and anticipate those political responses in a way that interferes as little as possible in the marketplace, rather than simply say, I think that political response will be wrong, and, therefore, I do not want to do anything now.

Mr. MERKLEIN. Yes. Now, you are bringing in political analysis on the side of the free market. I am all for it and I know the Department of Energy is doing it all over the place; they do it much better than I can, and I will have all the help I need in that area.

The CHAIRMAN. Thank you very much. We look forward to working with you.

We have at least a couple of questions with respect to information of interest to members of the committee that may be submitted to you for your response in writing. As you are aware, we have a business meeting scheduled on Monday at 10 o'clock in the morning at which time we hope to vote upon the Senate's consent to your appointment.

I mention that because we will get these questions to you by the close of business today, and we would like to have your responses back as quickly as possible, so that we will be in a position to act Monday morning. We do not want the failure to respond in adequate time to hold up the committee's action Monday.

Mr. MERKLEIN. Let me assure you, Mr. Chairman, you will have the answers.

The CHAIRMAN. Thank you very much.

With that, the hearing will stand adjourned.

[Whereupon, at 11:45 a.m., the hearing was adjourned.]

APPENDIXES

APPENDIX I

Biography and Informational Statement of Helmut A. Merklein

HELMUT A. MERKLEIN

Helmut A. Merklein is Assistant Secretary for International Affairs, Designate, U.S. Department of Energy (DOE). In this position, Mr. Merklein will be responsible for developing, managing, and directing programs and activities related to the international aspects of energy policy. One of his tasks will be to ensure that U.S. international energy policies and programs conform with national goals, legislation and treaty obligations, and to assist the Secretary in providing the President with independent technical advice on international energy negotiations.

Mr. Merklein has considerable professional experience with international and national energy concerns, having spent a number of years working for an international energy consulting firm, as well as a large U.S. oil company as a petroleum engineer. In addition, Mr. Merklein served on President Reagan's U.S. Synthetic Fuels Corporation Transition Team.

Over the past thirteen years, Mr. Merklein has taught at the University of Dallas, Texas A&M University and at the University of Nice, in France. He taught macroeconomics, energy economics and international economics. He was Dean of the University of Dallas in 1982, when he accepted a full professorship in the Department of Petroleum Engineering at Texas A&M University. He was nominated by President Reagan to become Assistant Secretary of Energy for International Affairs at the Department of Energy on October 11, 1983.

Mr. Merklein has published more than 100 articles and has authored/co-authored several books, mostly in the area of energy economics. He has closely followed U.S. energy policies and has done considerable research in assessing their likely impact at home and abroad.

Mr. Merklein holds a B.S. degree in Petroleum Engineering from the University of Oklahoma (1959), an MBA degree from the University of Dallas (1968), and a Ph.D. in Economics from Texas A&M University (1970). Born in Indonesia and raised in Europe, Mr. Merklein has lived and traveled throughout the world and is fluent in French and German. Mr. Merklein is married and has two sons.

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UNITED STATES SENATE
COMMITTEE ON ENERGY AND NATURAL RESOURCES

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Merklein (LAST) Helmut (FIRST) Adolf (OTHER)

Position to which nominated: (Department of Energy) Assistant Secretary

Date of nomination: October 11, 1983

Date of birth: 26 (DAY) May (MONTH) 1935 (YEAR) Place of birth: Waringin-Tiga, Sumatra Indonesia

Marital status: Married Full name of spouse: Brigitte (NMN) Merklein

Name and ages of children:

Thomas Merklein	(22)
Patrick Merklein	(18)

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Leoben School of Mines	Oct/54-May/57	-	-
Univ. of Oklahoma	Sept/57-Jan/59	B.S. Petr. Engineering	1959
Univ. of Dallas	Sept/65-May/68	MBA	1968
Texas A&M Univ.	Sept/68-May/70	Ph.D. Economics	1970

Employment record: List below all positions held since college, including the title and description of job, name of employer, location, and dates.

Feb. 59 - Oct. 59: A&B Wireline Co.; Cutoff, La; Field Engineer; Running reservoir surveys

Nov. 59 - Aug. 65: Getty Oil Co.; Hobbs, N.M.; New Hope, Tx; Kilgore, Tx; Field Engineer; Production & Drilling

Sept. 65 - Aug. 68: Core Laboratories, Inc.; Dallas, Tx; Project Engineer; International Oil Consulting

Sept. 68 - Aug. 70: Return to College for Ph.D.

Employment record—Continued

Sept. 70 - Aug. 82:	University of Dallas; Irving, Tx; Assistant Professor, Associate Professor, Full Professor, Dean. Teaching Energy Economics & International Economics.
Sept. 82 - Present:	Texas A&M University, College Station, Tx; Full Professor. Teaching Petroleum Economics.

See page 2a for self-employed services.

Military service: Enter all military service if not included above: service, dates, rank, type of discharge.

No military service.

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Wall Street Journal Student Achievement Award - 1968.

National Science Foundation Scholarship for Ph.D. work at Texas A&M; 1968-1970.

Distinguished lecturer; Society of Petroleum Engineers; 1982-1983.

Member - Reagan Transition Team; U.S. Synthetic Fuels Corp.

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
American Economic Association	-	1970 - Present
Society of Petroleum Engineers	-	1959 - Present

H. A. Merklein

Self-Employed Services

author, book on energy, for Fisher Institute; University of Dallas, Irving, Texas; 1980

consulting services for Thompson & Knight: University of Dallas, Irving, Texas; 1978-1981

consulting services for Lone Star Steel Co.: University of Dallas, Irving, Texas; 1981

consulting services for Harry Lucas & Associates: University of Dallas, Irving, Texas; 1981

consulting services for The Western Company: University of Dallas, Irving, Texas; 1981-1982

consulting services for American Oil & Gas Ltd.: University of Dallas, Irving, Texas - Texas A & M University, College Station, Texas; 1981-1983

Published writings: List the titles, publishers and dates of any books, articles, or reports you have written.

See attached list of Publications.

LIST OF PUBLICATIONS

H. A. Merklein

Books:

Macroeconomics, Wadsworth Publishing Co., Inc., Belmont, California, 1972.

One chapter entitled "The Domestic and International Impact of Curren Legislative Energy Proposals" in Exploration and Economics of the Petroleum Industry, Vol. 13; Matthew Bender & Co., New York, 1975; pp. 175-183.

Energy Economics, co-authored with W. C. Hardy, Gulf Publishing Co., Inc., Houston, Texas, 1977 .

Chapter 14, entitled "Indexation of Crude Oil Prices" in: U.S. and World Energy Resources: Prospects and Priorities; the International Research Center for Energy and Economic Development: Boulder, Colorado; 1977; pp. 165-180.

One chapter entitled "Domestic and International Repercussions of the National Energy Plan" in Exploration and Economics of the Petroleum Industry, Vol. 16; Matthew Bender & Co., New York, 1978; pp. 289-305.

One chapter entitled "Oil and the International Monetary System" in International Essays for Business Decision Makers, Vol. III; Amacom, a Division of American Management Associations, 1978; pp. 84-

Chapter 5, in co-authorship with Rep. J. M. Collins, M.C., entitled "An Assessment of the Supply Effects of New Natural Gas Deregulation" in Energy Perspectives, The Heritage Foundation, Washington, D.C., 1978; pp. 37-48.

Those Gasoline Lines and How They Got There, in co-authorship with W. P. Murchison; Fisher Institute, Dallas; 1980.

Natural Gas: Options and Opportunities, Chapter 10: Energy Supply Scenarios; The Oil Daily, New York, N.Y.; January 1983.

Articles:

"An Investment Model for a Survival Conscious Oil Drilling Contractor." Co-authored with R. G. Thompson (1971). Presented at the 7th Annual Meeting of the Marine Technology Society, August 16-18, 1971, Washington, D. C.

"U. S. Hydrocarbon Finding Cost." Co-authored with F. N. Howell (1971). Presented at the 46th Annual Fall Meeting of SPE, October 3-7, 1971, New Orleans, Louisiana.

Presented again upon invitation at the Eastern Regional Meeting of SPE, November 4-6, 1971, Charleston, West Virginia.

"The Cost of Quitting a Stripper Well." Presented at the 1972 Rocky Mountain Regional Meeting of SPE, April 10-12, 1972, Denver, Colorado.

"Joint Association Survey Aids in U. S. Finding Cost Study." Co-authored with F. N. Howell, World Oil, October, 1972, pp. 91-101.

"Petroleum Economics--A Domestic Model," 47th Annual Fall Meeting of the Society of Petroleum Engineers, San Antonio, Texas, October 8-11, 1972. SPE Paper #4132.

"Aspects Réels et Monétaires de la Crise d'Hydrocarbures." Presented at the Colloque sur les Hydrocarbures Gaseux et le Développement des Pays Producteurs. University of Dijon, France, May 17-19, 1973.

"La Crise Energétique des Etats Unis." Revue d'Economie et de Gestion; University of Nice, France, June 1973, pp. 57-67.

"La Crise de l'Energie aux Etàts Unis, et ses Implications sur la Politique des Compagnies Pétrolières en Amérique du Sud." Co-authored with X. Boisselier. Presented at the 5th Colloque Franco-Latino-Américain in Tours, France, September 1973.

"What it Costs to Find Hydrocarbons in the U. S." Co-authored with F. N. Howell. World Oil, October 1973, pp. 75-79.

"The Energy Crisis: Some Causes and Effects."
Part 1: International Monetary Considerations; World Oil, February 1, 1974; pp. 47-56.
Part 2: A Look at the Domestic Petroleum Situation; World Oil, February 15, 1974; pp. 33-42.
Part 3: A Look at International Oil--The OPEC Cartel and Windfall Profits; World Oil, March 1, 1974; pp. 47-52.
Part 4: The Major Inescapable Effect of Declining U. S. Oil Resources: A Drastic Reduction in Living Standards. Here is Why; World Oil, April 1, 1974; pp. 91-94.

"International Economics Integration: A Book Review." (P. Robson, Penguin Modern Economics Readings, 1972) The Financial Review, 1973 edition.

"Languages and Business." ADFL Bulletin, May 1974, pp. 7-9.

"Career Perceptions of Foreign Language Majors." Co-authored with B. W. Frenk, ADFL Bulletin, May 1974, pp. 9-12.

"Fossil Fuel Alternatives." Presented at the Western Economic Association Annual Conference, June 9-11, 1974: Las Vegas, Nevada.

Reprinted under the title, "Alternate Fossil Fuels Won't Add Much to U. S. Energy Supply" in World Oil, August 1, 1974, pp. 27-32.

"International Business Without Foreign Languages?" Accent on ACTFL, September/November 1974, pp. 10 & 11.

Reprinted in: Alberta Modern Language Journal, Winter 1974-75, pp. 30-34.

"Energy and International Monetary Problems." Presented at the 49th Annual Fall Meeting of the Society of Petroleum Engineers, Houston, Texas, October 6-9, 1974, SPE Paper #5076.

"How Higher Oil Prices are Affecting U. S. Inflation." World Oil, September 1974, pp. 58-60.

Reprinted under the title, "The Inflationary Impact of Rising Crude Oil Prices," in The Arab Economist, September 1974, pp. 16-19.

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"An Economist Looks at the Summit," an editorial in The Dallas Morning News, September 13, 1974, Section D.

"Languages for the World of Work." A paper presented by invitation of the U. S. Department of Health, Education and Welfare, U. S. Office of Education, at the Kittamagundi Conference in Columbia, Maryland, September 29 to October 2, 1974.

Reprinted in: Material Development Needs in the Uncommonly-Taught Languages, Center for Applied Linguistics, pp. 26-35. Library of Congress Catalog Card No.: 75-27071.

"How Higher Oil Prices are Affecting World Inflation," World Oil, October 1974, pp. 125-127.

Reprinted in The Arab Economist, October 1974, pp. 20-24.

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"Mid-East Petrodollars: Enough to Buy Corporate America?" World Oil, November 1974, pp. 95-100.

Reprinted in The Arab Economist, February 1975, pp. 36-39.

"Can Middle East Producers Preserve their Petro-Wealth?" World Oil, December 1974, pp. 78-88.

Reprinted in The Arab Economist, February 1975, pp. 25-28.

"How Much Have Oil Prices Affected World Inflation?" Hydrocarbon Processing, December 1974, pp. 42-E to 42-H.

"How Energy Relates to World Monetary Problems."

Part 1: World Oil, January 1975, pp. 92-98.

Reprinted in The Arab Economist, June 1975, pp. 42-46.

Part 2: World Oil, February 1, 1975, pp. 47-50.

Reprinted in The Arab Economist, July 1975, pp. 26-28.

Parts 1 & 2 have been translated into Japanese and were reprinted under the title "International Money and Energy" in: International Opinion on Energy, Tokyo, June 10, 1975, pp. 31-48.

"The NEW U. S. Economic Policy: It's Not Going to Work, Either." World Oil, February 15, 1975, pp. 47-52.

"The Effects of Petrodollars on Financial Markets." Statement before the Subcommittee on Financial Markets, U. S. Senate, L. Bentsen, Chairman, January 30, 1975.

"The Effect of Higher Oil Prices on World Inflation." Paper No. 116 (A-1), Presented at the Ninth Arab Petroleum Congress, March 10-16, 1975, in Dubai, United Arab Emirates.

Reprinted in The Journal of Energy and Development, October 1975.

"Proposed Energy Legislation Breeds Uncertainty, Confusion." World Oil, April 1975, pp. 71-74.

"Multinational Corporate Perceptions of an International MBA Degree." ADFL Bulletin, May 1975, pp. 33-35.

"Oil and the U. S. Economy: A View from the Arab Side." World Oil, May 1975, pp. 90-96.

Reprinted under the title, "U. S. and the Oil Economy; a View from the Arab Side" in The Arab Economist, August 1975, pp. 30-32.

"How World Inflation is Affecting OPEC Nations." World Oil, June 1975, pp. 53-55. This article is based on remarks made at the Ninth Arab Petroleum Congress, Dubai, United Arab Emirates, March 10-16, 1975.

Reprinted in The Arab Economist, September 1975, pp. 50-53.

"How Productive Are Employes of Major Oil Companies?" World Oil, July 1975, pp. 108-114.

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"What the 10% Price Hike Means to World Inflation," World Oil, November 1975, pp. 90-96.

"Can the U. S. Economy Collapse?", World Oil, December 1975, pp. 76-88.

"The World-Wide Inflationary Impact of OPEC's 10% Increase in Crude-Oil Prices," International Opinion on Energy; Tokyo; December 30, 1975; pp. 23-33 (Japanese).

"Crude Oil Indexation; How Practical Is It?" World Oil, February 1, 1976; pp. 45-48.

"How Currency Devaluations Affect OPEC Income"; World Oil, February 15, 1976; pp. 46-50.

"What the 10% Price Hike Means to World Inflation"; Translated into Japanese from World Oil (November 1975) and reprinted in: International Opinion on Energy, Tokyo, December 30, 1975.

"The Energy Dilemma of '76: Congress is the Culprit"; World Oil, May 1976; p. 64-68.

Book Review: The Oil Security System: An Import Strategy for Achieving Oil Security and Reducing Oil Prices by D. H. Newlon and N. V. Breckner, Lexington, Mass.; Toronto and London: Heath, Lexington Books, 1975. The Journal of Economic Literature; December 1976, pp. 129 & 130.

"Energy Concepts and Misconceptions Held by the U. S. Public"; Proceedings of the 51st Annual Fall Technical Conference of the Society of Petroleum Engineers; New Orleans, October 3-6, 1976; Paper Number SPE 6084.

"Indexation of Crude-Oil Prices", Chapter 10 in Energy and Development; Proceedings of the Third International Conference on U. S. and World Energy Resources; ICEED; University of Colorado, Boulder, Colorado; October 18-19, 1976.

"The Myth of the Petrodollar Threat"; World Oil, November 1976; pp. 93-104.

"The U.S. Economy: Some Problems are Ahead"; World Oil, February 15, 1977; pp. 45-47.

"U.S. Energy Policy: It's Primarily Based on Politics"; World Oil, June 1977; pp. 53-57.

"U.S. Oil Pricing Policy: Incentives for Inefficiency"; World Oil, July 1977; pp. 141-144.

"The U.S. Economy: Get Ready for More Inflation;" World Oil, February 15, 1978; pp. 53-57.

"Can the U.S. Economy Collapse?" World Oil, August 1, 1978, pp. 45-50.

"The U.S. Economy: Inflation is Still the Number One Enemy;" World Oil, February 15, 1978; pp. 49-52.

"International Implications of OPEC Price Increases"; World Oil, May 1979; pp. 67-73.

"Dear Mr. President"--A Guest Editorial; World Oil, August 15, 1979; pp. 5-9.

"The Current Status of U.S. Shale Oil Reserves," The Petroleum Economist, London, U.K.; January, 1980; pp. 12-14.

"U.S. Energy--The Story of Opportunities Not Seized," OAPEC Monthly News Bulletin; February, 1980; pp. 23-30.

"The Economic Repercussions of OPEC's Crude-Oil Price Increases," OAPEC Monthly News Bulletin; May, 1980; pp. 22-31.

"Drilling: The Key to Ending U.S. Oil/Gas Imports by 1994," World Oil, June 1981, pp. 145-151.

"U.S. Drilling and Workovers: A Look at Prospects to 1985," World Oil, August 1, 1981, pp. 53-61.

"U.S. Oil and Gas: The Economic Realities; Part 1 - Supply and Demand," World Oil, January 1983, pp. 159-164.

"U.S. Oil and Gas: The Economic Realities; Part 2 - Policy Analysis," World Oil, February 1, 1983, pp. 73-87.

Congressional Testimony

Department of Energy, Third Biennial National Energy Plan, delivered at the Congress of the United States, House of Representatives, Committee on Energy and Commerce, Subcommittee on Fossil and Synthetic Fuels, April 2, 1981.

Publications through Technical Information Committee of Society of Petroleum Engineers, in co-authorship with five additional committee members.

All publications in Journal of Petroleum Technology, months and page numbers as shown:

April 1974; p. 412; Prices--Drilling--Discoveries.

May 1974; p. 520; Examples of Free-Market Solutions to Energy "Crisis."

June 1974; p. 622; Profits are Essential for a Solution to the Energy "Crisis."

July 1974; p. 750; Relative Costs of Solutions to Energy "Crisis"--Free Market vs. Controls and Imports.

August 1974; p. 866; U. S. Supply.

September 1974; p. 1012; Prices--Profits--And the Search for Oil.

Reprinted in: Panel Discussions before the Committee of Ways and Means, Ninety-Fourth Congress, March 3-17, 1975, p. 1211.

October 1974; p. 1118; U. S. Supplies of Oil and Gas Grow Shorter.

November 1974; p. 1244; Higher Prices Increase Oil and Gas Activity.

Reprinted in: Panel Discussions before the Committee of Ways and Means, Ninety-Fourth Congress, March 3-17, 1975, p. 1352.

December 1974; p. 1390; Petroleum Profits Are Not Unique.

Reprinted in: Panel Discussions before the Committee of Ways and Means, Ninety-Fourth Congress, March 3-17, 1975, p. 983.

January 1975; p. 48; Price Regulations Distort Energy Market.

February 1975; p. 190; Petroleum Taxes--Not Profits--Are Excessive.

Reprinted in: Panel Discussions before the Committee of Ways and Means, Ninety-Fourth Congress, March 3-17, 1975, p. 982.

March 1975; p. 304; Profits--Investments--Energy.

April 1975; p. 456; Petroleum Industry Investments Exceed Income.

May 1975; p. 602; 1974 Petroleum Profits Exceeded by Other Leading Industries.

June 1975; p. 716; Effects of Increased Drilling Efforts on Future Production Rates.

July 1975; p. 850; Energy Crisis No Help to Oil Investors.

August 1975; p. 960; Gasoline Prices Around the World and Automobile Operating Costs.

Qualifications:

State fully your qualifications to serve in the position to which you have been named.
(attach sheet) See attached.

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

I will sever all connections.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your current or any previous employer, business firm, association or organization.

None

3. Has anybody made you a commitment to a job after you leave government?

No

4. (a) If you have been appointed for a fixed term, do you expect to serve the full term?

Not applicable.

(b) If you have been appointed for an indefinite term, do you have any known limitations on your willingness or ability to serve for the foreseeable future?

None

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

See page 5a and attachment.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

See page 5a and attachment.

STATEMENT OF QUALIFICATIONS

EDUCATION:

B.S. Degree in Petroleum Engineering, University of Oklahoma, 1959. Registered Professional Engineer in the State of Texas.

MBA Degree, obtained in evening courses, University of Dallas, 1968. Top MBA student and recipient of Wall Street Journal Achievement Award.

Ph.D. in Economics, Texas A&M University, 1970, under National Science Foundation Fellowship.

INTERNATIONAL EXPOSURE:

Cosmopolitan family background. Born in Indonesia as the youngest child of an Austrian father and a German mother. Moved to Germany at age 2 and spent formative years there. Extensive travels throughout Western Europe, especially France, where native command of the language was achieved at age 18.

This international background was used professionally at Core Laboratories where work on Algerian hydrocarbon reserves led to contacts with representatives of SONATRACH and with what was then the Ministry of Industry and Energy. While at the Graduate School of Management, University of Dallas, I established the International Institute. Partly on behalf of that Institute and partly because of my publications in energy economics, I traveled to various countries in Europe, Africa, Central and South America, and the Middle East.

I have given talks in Dubai, at the Ninth Arab Petroleum Congress, where I went at the invitation of Dr. Al-Otaiba, in Paris (using French), in Antwerp, and in Guatemala City.

EXPERIENCE:

1959-65: Six years of operational experience in petroleum production, workovers, completions, and some drilling - Getty Oil Company.

1965-68: Three years in reservoir engineering, reserve evaluations, and international petroleum consulting - Core Laboratories, Inc.

1970-80:	Ten years of graduate-level teaching and oil and gas consulting. Courses taught: Energy Economics, Marcoeconomic, International Economics and Finance.
1980-82:	Dean, Graduate School of Management, University of Dallas.
1982-Present:	Professor, Department of Petroleum Engineering, Texas A&M University.
Languages:	German - speak, write, read with native fluency
	French - speak, write, read; near-native; taught business courses in France at Universite de Nice.
	Spanish - read and understand well; speak and write adequately.

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself or relatives, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

In 1982, I participated in a two day U.S. Synthetic Fuels Corp. study Panel formed for the purpose of advising whether incentives should come in the form of loans or price guarantees (total fee $500). I do not believe this constitutes a possible conflict of interest.

4. List and describe any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or for the purpose of affecting the administration and execution of national law or public policy.

I have not engaged in lobbying as a professional activity. I did, however, spend the summer of 1977 in Washington, D.C., helping Congressman Collins in his work on energy legislation. My time was donated.

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

Not applicable.

6. Explain how you will comply with conflict of interest laws and regulations applicable to the position for which you have been nominated. Attach a statement from the appropriate agency official indicating what those laws and regulations are and how you will comply with them.

See page 5a and attachment.

POTENTIAL CONFLICTS OF INTEREST: Questions 1, 2, and 6;
FINANCIAL STATEMENT: Question 2

To comply with the divestiture requirements of section 602(a) of the DOE Organization Act, I will divest my interests in energy concerns prior to assuming office. To this end, I will sever completely my relationship with Texas A & M University, where I have been serving as a faculty member. I will also divest myself of reversionary interests in oil and gas production granted to me by American Oil & Gas Ltd. Additionally, I intend to abandon a claim for $450 that I have submitted to American Oil & Gas for reimbursement of expenses incurred in connection with consulting services I provided to the company if the claim is not paid before I assume office.

I will comply with the one-year participation restrictions of section 606 of the DOE Organization Act as they apply to my prior employment with Texas A & M University, the University of Dallas, American Oil & Gas Ltd., The Western Company, and Harry Lucas & Associates.

Finally, I will avoid participation in any particular matter the outcome of which could have a direct and predictable effect on any entity in which I have a financial interest. I will also continue to seek and comply with the advice of the Office of the General Counsel of the Department of Energy.

Department of Energy
Washington, D.C. 20585

OCT 19 1983

Helmut A. Merklein
Department of Petroleum Engineering
Texas A & M University
College Station, TX 77843

Dear Dr. Merklein:

This is intended to serve as a statement from the designated agency ethics official of this Department, as required by question 6 (page 5) of the Statement for Completion by Presidential Nominees that you will be submitting to the United States Senate Committee on Energy and Natural Resources in connection with your nomination for the position of Assistant Secretary for International Affairs. This memorandum reflects discussions you have had with Susan Fonner, an attorney on my staff, concerning the conflict of interest laws and regulations applicable to that position; it also reflects the guidance that Mrs. Fonner has given you after our review of your Standard Form 278 (Financial Disclosure Report) dated August 13, 1983, and your Form DOE-460 (Report on Prior Employment) dated September 7, 1983.

As a supervisory employee of the Department, you will be prohibited by section 602(a) of the DOE Organization Act (Pub. L. 95-91) from knowingly receiving compensation from, holding any official relation with, or having any pecuniary interest in any energy concern. The term "energy concern" is defined in section 601(b) of the Act as any entity "significantly engaged in the business" of any of a variety of activities related to energy production, distribution, sale, or research and development, or any entity significantly engaged in such research and development pursuant to a DOE-funded program irrespective of whether it otherwise engages in such business. The term also includes any entity holding an interest in property from which an energy resource is commercially produced or obtained.

You listed in Schedule A of your Standard Form 278 reversionary interests in oil and gas production granted to you by American Oil & Gas Ltd. I understand that, to comply with section 602(a) of the Act, you will divest yourself of these interests prior to assuming office. In addition, you stated in Schedule D that you are currently serving as a faculty member at Texas A & M University, which is an energy concern and which has

financial relationships with this Department. I understand that you will sever your relationship with the university prior to assuming office. You have also stated to Mrs. Fonner that you intend to abandon a claim you have submitted to American Oil & Gas for reimbursement of expenses incurred in connection with your consulting activities for the company if the claim is not paid before you assume office.

With respect to prior employment, subsections (a) and (b) of section 606 of the Act state:

(a) For a period of one year after terminating any employment with any energy concern, no supervisory employee shall knowingly participate in any Department proceeding in which his former employer is substantially, directly, or materially involved, other than in a rulemaking proceeding which has a substantial effect on numerous energy concerns.

(b) For a period of one year after commencing service in the Department, no supervisory employee shall knowingly participate in any Department proceeding for which, within the previous five years, he had direct responsibility, or in which he participated substantially or personally, while in the employment of any energy concern.

Section 606 will be applicable to your prior employment by Texas A & M University, the University of Dallas, American Oil & Gas Ltd., The Western Company, and Harry Lucas & Associates. (The last is an energy concern which is not listed on your Standard Form 278 because you have not worked for them since 1981, but which you reported to us on Form DOE-460, Report on Prior Employment.)

The term "Department proceeding" is defined in section 1010.103(h) of DOE's Conduct of Employees regulations as "any judicial proceeding, Department hearing, application, rulemaking, order, license, contract, grant, award, fund transfer, claim, controversy, charge, accusation, or arrest, in which the Department is directly involved."

Finally, section 208(a), title 18, United States Code, makes it a criminal offense for you to participate per-

sonally and substantially, as a Government employee, in any particular matter in which you have (or your spouse, minor child, partner, organization in which you are serving as officer, director, trustee, partner, or employee, or any person or organization with whom you are negotiating or have any arrangement concerning prospective employment has) a financial interest. Accordingly, you should avoid participation in any particular matter the outcome of which could have a direct and predictable effect on any such financial interests.

Please provide this office with a copy of any letter, assignment, or other document executed by you that evidences the relinquishment of interests discussed above.

Please let me know if we can be of further assistance.

Sincerely,

Ralph D. Goldenberg

Ralph D. Goldenberg
Assistant General Counsel
for Standards of Conduct

Financial statement:

1. Attach a copy of your Executive Personnel Financial Disclosure Report (SF 278).

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, uncompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services and firm memberships or from former employers, clients, and customers. Amounts should be indicated by the categories established for reporting income on Form SF 278, Schedule A.

See page 5a and attachment.

3. Are any assets pledged? (Add schedule.)

No. However, there is a mortgage on my residence.

4. Are you currently a party to any legal action?

No.

5. Have you ever declared bankruptcy?

No.

6. Have you filed a Federal income tax return for each of the last 10 years? If not, please explain.

Yes.

7. Has the Internal Revenue Service ever audited your Federal tax return? If so, what resulted from the audit?

Yes, in 1969 (to the best of my knowledge). There was no change in my return as originally submitted.

United States of America
Office of Government Ethics

Office of Personnel Management
Washington, D.C. 20415

OCT 26 1983

Honorable James A. McClure
Chairman, Committee on Energy
and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Helmut A. Merklein, who has been nominated by President Reagan for the position of Assistant Secretary for International Affairs, Department of Energy.

We have reviewed the report and have also obtained advice from the Department of Energy concerning any possible conflict in light of the Department's functions and the nominee's proposed duties. The letter of October 20, 1983 from Ralph D. Goldenberg, Assistant General Counsel for Standards of Conduct, Department of Energy, has been incorporated into and by reference made a part of the financial disclosure report.

Based thereon, we believe that Mr. Merklein is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

David H. Martin
Director

Enclosure

FINANCIAL DISCLOSURE REPORT

GD

Page 1

Reporting Status (Check Appropriate Box)

☐ Incumbent ☒ New Entrant, Nominee, or Candidate ☐ Termination Report

NOTE: All schedules must be filed. Enter "None" in areas or across schedules where appropriate.

Agency Use Only — Date of Filing (Month, Day, Year): AUG 30 1983

OGE Use Only

	Last Name	First Name and Middle Initial	Date of Appointment, Candidacy, Election or Nomination (Mo., Day, Yr.)	Termination Date (If Applicable) (Month, Day, Year)
Reporting Individual's Name	Merklein	Helmut A.		
Position for Which Filing	Title of Position: Assistant Secretary For International Affairs	Department or Agency (If applicable): Dept. of Energy		not applicable
Location of Present Office	Address (Number, Street, City, State and Zip Code): Dept. of Petroleum Engineering, Texas A&M University College Station, TX 77843		Room Number: 212 K	Telephone No. (Include Area Code): 409-845-2278

Presidential Nominees Subject to Senate Confirmation

Name of Congressional Committee Considering Nomination: Senate Energy & Natural Resources Committee

Do You Intend to Create a Qualified Diversified Trust? ☐ Yes ☒ No

Position(s) Held With the Federal Government During the Preceding 12 Months (If Not Same as Above)

Title of Position(s) and Date(s) Held: None

Certification

I CERTIFY that the statements I have made on the form and all attached schedules are true, complete and correct to the best of my knowledge and belief.

Signature of Reporting Individual: Helmut A Merklein — Date (Month, Day, Year): Aug 13, 1983

Agency Ethics Official's Opinion

The information contained in this report discloses no conflict of interest under applicable laws and regulations.

Signature of Designated Agency Ethics Official/Reviewing Official: Joyce D. Freudenberg — Date (Month, Day, Year): 10/19/83

Office of Government Ethics Use Only

Signature — Date (Month, Day, Year):

Comments of Reviewing Officials (If additional space is required, use the reverse side of this sheet)

Professor Merklein has advised that this report is current through October 18, 1983. JDF 10/19/83

(Check box if comments are continued on the reverse side) ☐

278-1(b)

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...Financial Disclosure Report
(Rev. 6/81)

INCOME AND INTERESTS IN PROPERTY

This schedule is applicable in the case of all reporting individuals

	Yes	No
Do you, your spouse, or dependent child receive income from, or have a beneficial interest in a trust?		X
If "yes", have you reported the income from the trust?		
If "yes", have you reported the assets of the trust?		
If "yes", is this trust an "excepted" trust? ... or "qualified" trust?		

	Yes	No
Are there any interests in property, purchases, sales, or exchanges, or liabilities of a spouse or dependent child which you have not reported?		X
If "Yes," do you certify to all of the following? 1. They represent solely your spouse's or dependent child's financial interest or responsibility; 2. They are not, in any way, past or present, derived from your income, assets, or activities; 3. You neither derive, nor expect to derive, any financial or economic benefit from them; and 4. You do not have knowledge as to the composition of such interest or liabilities.		

Page Number 2 — Schedule A

Reporting Individual's Name: Merklein, Helmut A.

Agency Use Only

Date of Filing (Month, Day, Year): AUG 30 1983

Identification	Income: Type of Income (✓)							Income: Category of Amount or Value (✓)									Interests in Property: Valuation of Assets (✓)						
	Dividends	Rent	Interest	Capital Gains	Excepted Trust	Qualified Trust	Other (Specify)	None (or less than $201)	$201-$1,000	$1,001-$2,500	$2,501-$5,000	$5,001-$15,000	$15,001-$50,000	$50,001-$100,000	Over $100,000	Actual Amount (Only if "Other" Specified)	Date (Mo., Day, Yr.) (Only if Honoraria)	None (or less than $1,001)	$1,001-$15,000	$15,001-$50,000	$50,001-$100,000	$100,001-$250,000	$250,001-$1,000,000	Over $1,000,000
University of Dallas Irving, Texas 75061							Salary 1982									17,157								
Texas A&M University College Station, TX 77843							Salary 1982									19,968								
Texas A&M University College Station, TX 77843							Salary 1983									36,200								
American Oil & Gas Ltd. Nieve Staatsbaan 39, 2360 Old Turnhout, Belgium							Consulting Fee				•					10,000								
The Western Company, P.O. Box 186 Fort Worth, TX 76101							Consulting Fee									5,066								
Lone Star Steel CO., 2200 West Mockingbird Dallas, TX 75235							Consulting Fee									3,525								
U.S. Synthetic Fuels Corp., 2121 K Str. N.W. Washington, D.C. 20586							Consulting Fee									500								
Allied Bank, 800 W. Airport Fwy. Irving, TX 75062			X							X								H			X			
Merrill Lynch, P.O. Box 11,063 Church Street Station, N.Y., N.Y.			X								X							H			X			
Richardson/Plano Joint Venture*				X							X								Sold, no interest left					
Alma Spring Creek #3*				X							X							H		X				
Lake Lavon East*	No income																	C		X				
ADDITIONAL ARRANGEMENTS IN OIL AND GAS PRODUCTION GRANTED BY AMERICAN OIL & GAS LTD. (LOCATED ON LEASES)																		A	X					

*See page 3

READY ASSET ACCT. 10-10-83 SF

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Page Number	2a	Schedule A

Reporting Individual's Name: MERKLEN, HELMUT A.

Agency Use Only

Date of Filing (Month Day Year)

Identification	Income: Type of Income	Income: Category of Amount or Value	Interests in Property: Value
TEACHERS INSURANCE AND ANNUITY ASSOC. (RETIREMENT FUND)	X	H	✓
COLLEGE RETIREMENT EQUITIES FUND (RETIREMENT FUND)	X	H	✓
SECURITY BENEFIT LIFE INSURANCE CO (RETIREMENT FUND)	X	H	✓

FINANCIAL DISCLOSURE REPORT

Detail on Joint Ventures:

1. Richardson/Plano Joint Venture
   Joined Plan 6/11/1976
   Total Payments through 3/22/1982: $ 9,039
   Sold for Cash 5/4/1982 $12,105
   Net Gain $ 3,066

2. Alma Spring Creek #3
   Joined 4/15/1978
   Total Payments through 5/4/1981: $7960
   Sold on Wrap-Around Note for
   $4474 in 1981
   $1758 in 1982
   $1758 in 1983
   Remaining Payments through 1988: $11,191

3. Lake Lavon East
   Joined Plan 10/21/1974
   Total Payments through 10/5/1982: $8644
   Estimated Value of Property: $203,481
   My Participation (9.52%) valued at $19,371
   For information on these joint ventures, contact:

   G. E. Lyons, Fair-Tex Builders, Inc.
   11311 Stemmons Freeway, Suite #7
   Dallas, TX 75229
   Tel: 214-484-4000

PURCHASES, SALES, AND EXCHANGES

This schedule is applicable only in the case of annual and termination reports.

Page Number 4 | Item Number B

Reporting Individual's Name: Merklein, Helmut A.

Agency: [illegible]

Date of Filing: AUG 30 1983

Report Applicable Transactions, Even If Also Reported on Schedule A

S or DC	Identification of Property (real and personal)	Type of Transaction			Date (Month, Day, Year)		Category of Amount or Value (x)					
		Purchase	Sale	Exchange	Purchase	Sale or Exchange	$1,001 to $15,000	$15,001 to $50,000	$50,001 to $100,000	$100,001 to $250,000	$250,001 to $500,000	Over $500,000
	Not Applicable											

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(Rev. 6-81)

GIFTS AND REIMBURSEMENTS

This schedule is applicable only in the case of annual and termination reports.

Page Number	5	Schedule C

Reporting Individual's Name: Merklein, Helmut A.

Agency Use Only

Date (Month, Day, Year): AUG 30 1983

I. Lodging, Transportation, Food and Entertainment—*List each source totaling $250 or more in value*

S or DC	Source (Name and Address)	Brief Description	Value
	Not Applicable		

II—All Other Gifts—*List each source totaling $100 or more in value*

S or DC	Source (Name and Address)	Brief Description	Value
	Not Applicable		

III. Reimbursements—*List each source totaling $250 or more in value*

S	Source (Name and Address)	Brief Description	Value
	Not Applicable		

Form 278 (Financial Disclosure Report)
(Rev. 6-81)

This schedule, except as noted for the third section, is applicable in the case of all reporting individuals.

Reporting Individual's Name: Merklein, Helmut A.

Agency Use Only — Date Filed (Month, Day, Year): AUG 30 1983

Page Number: 6

Schedule: D

LIABILITIES

S or DC	Name and Address of Creditor	Type of Liability (e.g., promissory note, margin account) Give date, interest rate and, if applicable, term	Category of Amount or Value (✓) $10,001 to $15,000	$15,001 to $50,000	$50,001 to $100,000	$100,001 to $250,000	Over $250,000
	None						

POSITIONS HELD

Name and Address of Organization	Type of Organization	Position Held	From (Mo., Yr.)	To (Mo., Yr.)
University of Dallas, Irving, TX 75061	University	Dean	4/1980	5/1982
University of Dallas, Irving, TX 75061	University	Professor	5/1982	8/1982
Texas A&M University, College Station, TX 77843	University	Professor	9/1982	Present *

* Professor Merklein was advised by Jarrett of Baker & Botts, Texas A&M upon appointment to the White House Counsel's office that he will serve his relationship with Texas A&M as a Dollar-a-Year Assistant Secretary position. RJ Jarrett 8/31/83

COMPENSATION IN EXCESS OF $5,000 PAID BY ONE SOURCE

This section is applicable only in the case of nominees and new entrants.

Source (Name and Address)	Brief Description of Duties
American Oil & Gas, Ltd., Nieve Staatsbaan 39, 2360 Old Turnhout, Belgium	Consulting work. Reviewed reserve analyses of Engineering Consulting Firm (Magnum Engineering, Norman, OK) for accuracy and reasonableness.
The Western Company P. O. Box 186, Fort Worth, TX 76101	Consulting work. Conducted seminars on U.S. energy problems.

RELATIONS WITH OTHER EMPLOYERS

Description of Terms of Any Agreement or Arrangement	Parties	Date (Mo., Day, Yr.)
None - Plan to take indefinite leave of absence from Texas A&M.		
Texas A&M University, Dept. of Petroleum Engineering, College Station, TX 77843	See footnote under "Positions Held." RJJ 8/31/83	

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AFFIDAVIT

DISTRICT OF COLUMBIA) ss

Helmut A. Merklein , being duly sworn, hereby states that he/she has read and signed the foregoing Statement for Completion by Presidential Nominees including the Financial Statement and that the information provided therein is, to the best of his/her knowledge and belief, current, accurate, and complete.

Helmut A. Merklein

Subscribe and sworn before me this 20th day of October ,19 83

Notary Public

My Commission Expires November 14, 1984

U.S. GOVERNMENT PRINTING OFFICE

APPENDIX II

Answer of Helmut A. Merklein to Question Submitted by Senator Bradley

November 10, 1983

The Honorable James A. McClure
Chairman, Senate Energy and
Natural Resources Committee
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Please find enclosed my answer to the question that was submitted by the minority staff of your Committee. This is for inclusion in the record of my confirmation hearing.

Yours very truly,

H. A. Merklein

Question for Mr. Helmut A. Merklein

Our Minority staff has become aware of some disturbing complaints that the press has been unable to obtain information from the International Affairs Division and that perhaps the cloak of "classified information" has been used too freely. For example, we understand that on separate occasions a press group requested a map of the Soviet natural gas pipeline and were refused. They recently requested a thumbnail sketch of what would happen if the Straits of Hormuz were closed down and were refused. And finally we understand that a large number of the AST-4 documents were not made available to the public because they were deemed to be classified.

You may recall that a House Subcommittee met to release an expurgated, classified document to the public concerning AST-4. Could you give us your views on what responsibility the International Affairs Division has to make information available to the press and to the public concerning matters within the purview of the International Affairs Division.

Answer: I believe that a free press with access to government information is part and parcel of a free society. I strongly believe that a decision to classify should be an exception rather than a rule. I also believe, and I hereby pledge in regard to those activities that will be under my jurisdiction, that I will not use the power to classify information in an effort to cover up mistakes.

There will be times, of course, when information must be classified, as when there is legitimate concern for national security. However, coming as I do from academia and, therefore, being a believer of the proposition that society generally is better served when there is free and open exchange of information and ideas between government and its citizens, I repeat that my basic policy will be not to erect "walls" between the press and the Office of International Affairs.

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